

# WISCONSIN LEGISLATIVE COUNCIL STAFF

## RULES CLEARINGHOUSE

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## CLEARINGHOUSE RULE 95-154

### Comments

**[NOTE: All citations to “Manual” in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated October 1994.]**

#### **2. Form, Style and Placement in Administrative Code**

- a. In the formula included in the analysis, it is not clear what the “>” symbol stands for. Should it be a “¢” symbol instead?
- b. The reference to “APPENDIX B” in the analysis and in the treatment clause of SECTION 5 should be referred to more specifically as “Ins 3.25 Appendix B” for clarity purposes.
- c. In s. Ins 3.25 (13) (c) 1., either “in” should be stricken or “on” should be deleted.
- d. In s. Ins 3.25 (14) (e) 1., “H” should precede the new material.

#### **4. Adequacy of References to Related Statutes, Rules and Forms**

In the analysis, the reference to “1994 Act 325” should be changed to “1993 Act 325.”

#### **5. Clarity, Grammar, Punctuation and Use of Plain Language**

- a. In the analysis, experience data is used for the various assumptions underlying the prima facie rate for claim costs, general insurer expenses and compensation. However, for the components comprising the denominator, investment income, taxes and return on equity, there is no reference to any experience data. The agency may wish to identify the experience basis for these components.

b. The formula set out in the analysis for calculating the prima facie rate uses the following as the denominator: “1 + (investment income) - (taxes) - (return on equity).” However, under the “resulting rate” calculation, the actual calculation appears to be derived from the following formula: “1 + (investment income) - (premium, miscellaneous taxes and guaranty fund assessments) - (return on required equity) - (return on equity to support surplus strain).” This aspect of the rule should be clarified. Also, if “return on equity to support surplus strain” is to be used as a component, it could be defined for clarity purposes, and if experience data is available, it should be cited in accordance with the previous comment. Is there any statute or rule specifying the components of the formula? If so, a reference should be included in the rule or analysis.

c. Is it a coincidence that the value of “investment income” and the “return on equity” are both 5% of premium? If not, since they cancel each other out, could they be omitted as factors for the calculation of the prima facie rate?

d. Currently, Appendix B requires reporting, among other information, both “actual loss ratio” and “loss ratio at prima facie rates.” Will this information be reported to the agency under different reporting requirements? If not, how will the agency monitor the compliance with the rule?

e. The inclusion of the phrase “on or before October 1, 1999 for both” in s. Ins 3.25 (13) (c) (intro.) is confusing.

f. The effective date of the rule may be problematical if the required hearing and legislative reviews, as well as publication of the rule, cannot be completed prior to January 1, 1996.

g. In s. Ins 3.25 (13) (c) 1., the term “facie” has been omitted after the word “prima.” Also, a comma has been omitted before “total.”

h. If any form will need to be modified as a result of the adoption of this rule, the agency should be aware of the need to comply with s. 1.09 (2), Manual.

i. The provisions of s. Ins 3.25 (20) (f) are virtually identical to those being repealed in s. Ins 3.25 (21), except for s. Ins 3.25 (21) (a). The agency may wish to renumber rather than repeal and recreate the retained provisions. Alternatively, the analysis could indicate the origins of s. Ins 3.25 (20) (f).

j. The rule would be clearer if s. Ins 3.25 (14) (e) were renumbered so that the provisions relating to the \$20,000 threshold were placed in adjoining subdivisions. Proposed subd. 3. could precede current subds. 1. and 2.